

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF:</b>	)	<b>GPA DOCKET 25-07</b>
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<b>THE AMENDED PETITION OF THE GUAM POWER AUTHORITY FOR AUTHORIZATION TO PROCURE STRATEGIC PROGRAM MANAGEMENT OFFICE FOR GPA'S FUTURE PROJECTS</b>	)	<b>PUC COUNSEL REPORT</b>
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**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission [PUC] pursuant the Guam Power Authority's [GPA] Amended Petition for Authorization to Procure Strategic Program Management Office [SPMO] for GPA's Future Projects [Petition].<sup>1</sup>
2. GPA requests that the PUC approve GPA's request to solicit for an SPMO for future GPA projects with a 3-year base contract with an option to renew for two additional 1-year periods and GPA estimates the cost of the SPMO contracts will be \$10,519,542.<sup>2</sup> GPA also requests that the PUC's authorize GPA to procure the services of one or more firms on an indefinite delivery, indefinite quantity basis to establish an SPMO.<sup>3</sup>

**BACKGROUND**

3. On February 11, 2025, GPA filed their original petition in this matter wherein GPA had determined that an SPMO can provide engineering design and technical analysis, cyber and physical security planning, information technology and operational technology support, and construction and that the SPMO will: (1) Develop and implement procedures and standards to ensure the prudent and efficient expenditure of funds; (2) Provide technical services; (3) Train and mentor GPA engineers; (4) Assist in the certification of work on projects; and (5) Keep management apprised on the status of projects. GPA estimated that the SPMO

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<sup>1</sup> Amended GPA Petition for Authorization to Procure an SPMO for GPA's Future Projects, GPA Docket 25-07, filed on May 9, 2025 at 1.

<sup>2</sup> Petition at 4. NOTE: The page numbers cited in the petition are the PDF page numbers.

<sup>3</sup> Id.

contracts would cost \$10,519,542 and would be paid from a combination of grant, bond, and revenue funds.<sup>4</sup>

4. On January 28, 2025, the Guam Consolidated Commission on Utilities [CCU] issued CCU Resolution No. FY2025-08, that authorized GPA's General Manager [GM] to petition the PUC for its approval to solicit for an SPMO for future projects.
5. On March 24, 2024. PUC Counsel filed his report regarding GPA's original petition in this docket, wherein PUC Counsel cited the PUC's experience with GPA's Integrated Program Management Services [PMO] contract in GPA Docket No. GPA Docket No. 14-02 to show that many of the issues with that contract would be present with GPA's proposed SPMO and that GPA's original request to solicit for SPMO contracts was not reasonable, prudent, or necessary.<sup>5</sup>
6. On March 27, 2025, GPA filed their Supplement to their original petition which responded to the issues raised in the PUC Counsel Report and which added additional arguments to show that GPA's original request to solicit for SPMO contracts was reasonable, prudent, and necessary.<sup>6</sup>
7. On March 27, 2025 the PUC tabled this matter until the GPA representatives and PUC Counsel could meet to see if a compromise could be reached regarding GPA's request to solicit for SPMO contracts.
8. PUC Counsel meet with GPA representatives and this resulted in GPA filing their Amended Petition in this matter.

### ANALYSIS

9. The PUC's Contract Review Protocol for GPA mandates that GPA obtain prior PUC approval before the procurement process has begun for all professional service contracts that exceed the amount of \$1,500,000.<sup>7</sup> Here, the \$10,519,542 estimated cost for the SPMO contracts requires the PUC's approval prior to procurement

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<sup>4</sup> GPA Petition filed on February 11, 2025 in GPA Docket 25-07 at 2.

<sup>5</sup> PUC Legal Counsel Report filed on March 24 2025 in GPA Docket 25-07 at 1-4.

<sup>6</sup> GPA Supplement to Petition filed on March 27, 2025 in GPA Docket 25-07 at 1-8.

<sup>7</sup> PUC Order re Contract Review Protocol for GPA, PUC Administrative Docket, filed on February 15, 2008 at paragraph 1(c) at 1.

process beginning because the total cost of the contracts exceeds the \$1,500,000 contract review amount.

10. GPA's \$10,519,542 estimated cost for the SPMO contracts with additional safeguards to prevent excessive cost increases, is reasonable. PUC Counsel previously found that GPA's cost estimate for the SPMO contracts was based the assumption that the contracts will cost 15% of the \$70,130,282 estimated cost of GPA's current projects ( $\$70,130,282 \times 15\% = \$10,519,542$ ), and that if this assumption was true, GPA would have to reduce the construction inputs for the projects or use extra revenue funds to fund the SPMO contracts.<sup>8</sup> Although these facets of the SPMO contacts still exist, GPA has stated that it will impose contractual safeguards to prevent excessive cost overruns such as: (1) Task Orders that will be individually negotiated for scope, hours, schedule, deliverables, milestones, and costs; (2) Project reports that will be posted online and shared with GPA's GM, the CCU, and the PUC commissioners; (3) Requiring Contractor invoicing that includes will includes the task order, scope, deliverables, hours, and rate, and that requires contractors to bill per number of hours worked according to a previously agreed fee schedule; (4) The imposition of a ceiling on the SPMO services for each project, i.e., a dollar amount not to be exceeded by the contractor; and (5) The requirement that the SPMO develop and implement procedures and standards to ensure the prudent and efficient expenditure of funds.<sup>9</sup> GPA requests to seek the PUC's approval if the cost of the SPMO contracts exceed 20% of GPA's \$10,519,542 estimated cost. However, this request must be denied because this would allow GPA to incur an additional \$2,103,908.40 if it fails to properly manage the costs of the SPMO contracts as it has in the past ( $\$10,519,542 \times 20\% = \$2,103,908.40$ ). Hence, GPA's \$10,519,542 estimated cost of the SPMO contracts is reasonable with the safeguards to prevent excessive cost increases beyond this estimate.
11. GPA's proposed procurement for SPMO contracts is prudent. PUC Counsel previously found that based on GPA's negative history with accounting for, controlling, and supervising a single contractor for this type of service, GPA's proposal for a multiple award on an indefinite delivery, indefinite quantity basis is not prudent as the same problems that were prevalent with one such contractor, will likely be compounded by several such contractors.<sup>10</sup> Here, in addition to the

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<sup>8</sup> PUC Legal Counsel Report filed on March 24 2025 in GPA Docket 25-07 at 3.

<sup>9</sup> Petition at 3.

<sup>10</sup> PUC Legal Counsel Report filed on March 24 2025 in GPA Docket 25-07 at 3.

contractual safeguards described above, GPA also clarified that it will: (1) Require the SPMO contractors to report to GPA's Assistant General Manager, Engineering and Technical Services [AGMETS]; (2) Subject the SPMO contracts to audits by the U.S. Department of Energy Technical Program Officer for GPA's federally funded projects; and (3) Hold weekly meetings and maintain project performance dashboards to help team members and managers organize, track, and measure the success of team projects and tasks by displaying key performance indicators directly related to the project's success, such as task progress, resource allocation, budgets, timelines, and risks. Hence, with these additional safeguards, the SPMO contracts are prudent.

12. GPA's procurement of SPMO contracts are necessary. PUC Counsel had previously found that GPA justified the SPMO contracts by stating that 26 GPA employees in its Engineering & Technical Services Division will be eligible to retire in the next 5 years, and that 10 of those employees are engineers, and that this justification was not valid because the University of Guam has a fully accredited engineering program and it is likely, that if GPA increases its recruitment efforts, GPA can hire 16 non-engineer employees in that division, and the 10 engineer employees in that division if it begins its recruitment efforts now.<sup>11</sup> GPA has since clarified that it has an immediate need for extra engineering services to support upcoming projects, UOG Engineering School graduates require time to obtain the qualifications and experience required by GPA, and that if GPA hires the additional staff it needs to complete these projects, it will be overstaffed when they are completed.<sup>12</sup> In addition, GPA will use the SPMO contracts to: (1) Train and mentor GPA staff for achieving Project Management Institute (PMI) Project Management Professional (PMP) certification; (2) Create the organizational infrastructure that GPA staff will transition into after the SPMO contracts expire; (3) Provide a path for GPA's Civil and Environmental Engineers to achieve professional engineering registration.<sup>13</sup>
13. Based on the foregoing, GPA's request to solicit for SPMO contracts for current and future GPA projects with 3-year base contracts with an option to renew for two additional 1-year periods on an indefinite delivery, indefinite quantity basis for the estimated amount of \$10,519,542 is reasonable, prudent, or necessary, if GPA

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<sup>11</sup>PUC Legal Counsel Report filed on March 24 2025 in GPA Docket 25-07 at 4.

<sup>12</sup> Petition at 1-2.

<sup>13</sup> Id., at 3.

implements the safeguards it described in its Amended Petition and properly manages the SPMO contracts to prevent excessive cost overruns.

### **RECOMMENDATION**

14. Counsel recommends that the PUC approve GPA's request that the PUC approve GPA's proposed solicitation for SPMO contracts for an indefinite delivery, indefinite quantity with 3-year base contracts with options to renew for two additional 1-year periods for the estimated amount of \$10,519,542.
15. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 23<sup>rd</sup> day of May, 2025.

*Anthony R. Camacho*

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PUC Legal Counsel